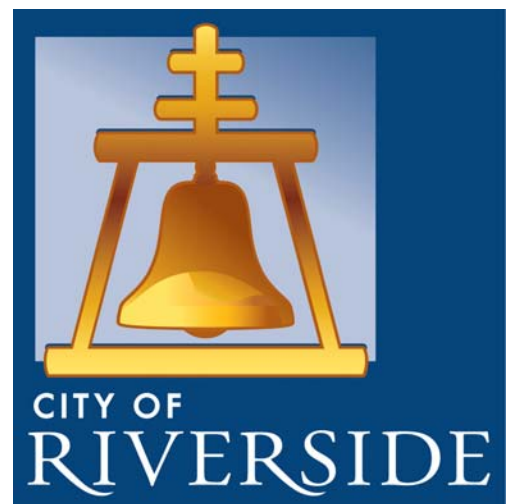
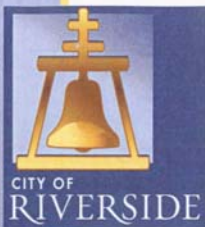


CITY MANAGER'S BUDGET MESSAGE



CITY MANAGER'S BUDGET MESSAGE



Office of the City Manager

April 15, 2008

Honorable Mayor & City Council
City of Riverside, California

FY 2008-2009 Preliminary Budget Workshop

I am pleased to submit a Fiscal Year 2008-09 draft budget plan for your consideration during today's Budget Workshop.

The proposed fiscal package follows three unprecedented years of expanding services to all residents of our City. The draft budget sustains this progress, funds key services, maintains a prudent General Fund reserve, balances expenditures with revenues and maintains momentum on the Riverside Renaissance Initiative.

As part of the 2007-08 Mid-Year Budget Report, your Council approved a series of prudent measures to adjust departmental spending to reflect regional economic trends which have slowed the growth of City revenues. To maintain the City's strong fiscal footing, Departments have instituted strategic cost control measures, prioritized program delivery to meet the Council's primary policy directives, held vacant staff positions, eliminated all but the most necessary expenditures, and maximized use of Redevelopment Agency funding and external resources (to include grants) to preserve the service gains made over the past three years. In addition to reflecting reduced revenue growth, next year's spending plan was adjusted to absorb approximately \$6 million in new costs required by Agreements with the City's labor organizations. The Council's direction to appropriately adjust the City's 2007-08 spending effectively set the stage for a 2008-09 Budget which preserves core services and spares local residents from many of the negative fiscal impacts seen in neighboring jurisdictions.

The City's overall proposed budget for FY 2008/09 is \$991,041,206, with proposed General Fund expenditures totaling \$213,417,799. General Fund revenues are conservatively budgeted at the corresponding level, and the fiscal plan meets the terms of Memoranda of Understanding

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reached with all of the City's bargaining units. While significantly reducing General Fund expenditures (as compared to the current year's adopted budget), the preliminary budget plan places Riverside in the enviable position of considering a budget which does *not* impose layoffs of City staff, eliminate City programs and services, or rely too heavily upon one-time revenue sources.

Budget Strategy

Per the Council's direction on February 12th, next year's spending plan reflects your key priorities:

- Enhance Public Safety
- Increase Transportation Investments
- Support Business Development
- Invest in the Future
- Provide Environmental Leadership
- Maintain the Riverside Renaissance Initiative momentum
- Promote Arts and Culture

As currently proposed, next year's budget focuses heavily upon Public Safety services, which constitute 66% of the total General Fund budget.

In response to the Council's direction over the course of the current year, the FY 2008-09 spending plan will:

- Bring new Fire equipment online (Fire Engine, Heavy Rescue Vehicle) to serve City residents
- Complete installation of Emergency Vehicle Preemption devices at 107 signalized intersections in our City
- Continue funding 15 new firefighter positions created to staff newly-opened Fire Stations
- Continue adding new patrol officers to the City's Police Department; the City would begin the FY 08-09 process by funding immediate redeployment of experienced Police Officers currently serving in School Resource Officer positions for which school district funding may no longer be available
- Preserve the Council's option to fund additional officers and firefighters mid-year, after further information regarding State budget impacts and local revenue trends becomes available
- Roll out the 4.9 GHz Public Safety Network, to allow instant wireless communication and streaming video to/from/among the City's emergency responders
- Continue aggressive replacement of Police patrol vehicles, purchasing 60 new vehicles in less than one year

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- Prepare to accept delivery of a state-of-the-art American Eurocopter AS 350 B2 helicopter which will modernize RPD's critical air support function
- Sustain additional positions, and stipends, previously approved to support the City's 911 Dispatch Center
- Provide Emergency Medical Dispatch to enhance the speed and efficiency of emergency care
- Fund more than \$81 million in transportation projects to ease traffic flow throughout Riverside
- Continue aggressive Code Enforcement, with specific emphasis on enhancing quality of life in areas where the Council is targeting investment of redevelopment resources
- Provide enhanced street sweeping services
- Increase maintenance of landscaped medians and parkways throughout the City
- Open the Orange Terrace Gymnasium and Community Center
- Open the Orange Terrace Library
- Open the newly-expanded Arlington Library
- Inaugurate a state-of-the-art synthetic turf soccer field at Bobby Bonds Park
- Open the Bryant Park Fitness Center -- providing exercise, dance, boxing and karate programming
- Open the expanded Bordwell Park Stratton Senior Center
- Complete construction of the Centro de Niños Childcare Facility
- Operate robust Youth Opportunity Center programs to serve at-risk youth
- Continue a Zero Tolerance approach to graffiti via a combination of swift clean up and aggressive pursuit of civil assessments
- Replace aging water and sewer infrastructure
- Foster environmental stewardship through Green Riverside initiatives
- Continue work toward construction of two additional electrical generation facilities to help meet peak demands throughout the City, while also laying the groundwork for a second point of energy delivery to diversify the City's electrical power supply
- Build upon the City's ongoing investments in Arts & Culture programs
- Continue capital funding for Riverside Renaissance projects
- Provide community information and outreach via regular mailings, television programming, direct mail and service bulletins
- Fully staff Project BRIDGE to provide outreach, intervention and mentoring for area youth
- Sustain current year funding for community and social services
- Provide enhanced services to support individuals and families in their transition from homelessness
- Sustain services to residents of the City's 26 neighborhoods via the Office of Neighborhoods

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- Invest in career training programs and opportunities for City residents by funding a position to coordinate internships, apprenticeships, the Summer Youth Employment Program and other work experience and volunteering opportunities
- Offer the Riverside Fellow Program, through Public Utilities, for two paid internships in city management for graduate students in public administration/public policy
- Staff the Digital Inclusion Program to provide computer equipment and training to low-income City residents, maximizing the potential of the free Citywide Wi-Fi program which will enter its first full year of operation in FY 08-09
- Pursue air quality funding to replace gasoline/diesel fleet vehicles and equipment with clean technology and energy efficient models

Potential Threats

By all indications, and according to official communication as well as newspaper accounts, California's state government is staring at a fiscal crisis of significant magnitude. Sacramento's ongoing costs exceed available revenues, and legislators continue to engage in an epic struggle over program reductions vs. revenue increases. The outcome is far from certain.

Most experienced observers seem to agree, however, on one thing: a State Budget stalemate only increases the prospects that local governments are at risk as State officials seek the most expedient means to ease their own budget difficulties.

Among the potential State Budget threats to Riverside residents:

- Diversion of Property Tax revenues: Consistent with the terms of voter-approved Proposition 1A (November 2004), the State can declare a fiscal emergency and divert up to 8% of local property tax proceeds to fill a budget gap. Proposition 1A specifies that any such transfer would constitute a loan to the state, with full repayment due in three years. With the City's potential exposure of \$5-6 million, it is recommended that any such State takeaway be addressed through use of General Fund Reserves. Under such a scenario, the City's reserve balance would be recalibrated to reflect the State's "borrowing" as a receivable from the State of California.
- Elimination of Public Safety funding: Between California's Citizens Option for Public Safety program and the federal Justice Assistance Grant, funding is provided for eight positions (sworn and non-sworn) within RPD. The federal grant is expected to decrease significantly next year. The state program, which allocates funds

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one year in advance, is in peril as state budget writers look for opportunities to reduce spending in areas where the direct impacts won't materialize until the following (FY 09-10) budget. It is nonetheless important to remain mindful of this potential loss, and to maintain sufficient flexibility to consider continuation of these positions should State and/or Federal funding be reduced or eliminated.

- **Re-institution of Booking Fees:** In recent years, the State has appropriately funded local jails to offset "Booking Fees" which were widely renounced as a major public policy misstep when first instituted in the early 1990s. Given the State's history in this area, Riverside must be on guard for a reemergence of these fees, at a potential annual cost of \$700,000.
- **Suspension of Reimbursements:** In previous years, the State has reduced its costs by "suspending" or even cancelling reimbursements to local agencies for mandated services. Given the State's track record in this area, the City will closely monitor any such revisions to State budget policy, and their potential impact.
- **Loss of subvention funding:** The State currently funds a wide array of general service functions provided at the local level. The immense fiscal pressure currently faced by the State could easily bring a halt to subvention funding...forcing local governments to either terminate services or redirect resources to support these programs.

As recent history has shown, state budget deliberations will likely last well into the summer, with little public engagement or transparency. Consequently, your Policy Level outreach to the City's Legislative Delegation will remain critical to their continued understanding of this Council's accomplishments in preserving key services, and how balancing the State's budget on the backs of local residents would unfairly jeopardize public safety and quality of life throughout Riverside.

Riverside Renaissance

In crafting the framework for the FY 2008-09 Budget, it is important to clarify for the public how Riverside Renaissance projects relate to the City's General Fund. As approved by the Council, the key capital projects which comprise the Renaissance do not require General Fund revenues for design or construction. As such, current general purpose revenue constraints do not affect available project funding. Equally critical is a public understanding of how the availability of funds for these capital projects does not extend to the General Fund. In other words, one-time

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capital funding for Renaissance projects *cannot* be diverted into the City budget for use in supporting ongoing staff or services.

It is also noteworthy that economic factors such as the recent downturn in construction activity produce an improved climate in which to complete capital projects. In fact, the City has already seen these advantages in the form of an increased number of highly competitive bids for construction work, and a corresponding improvement in the cost for such projects. In addition to the benefits derived from lower private sector construction costs, projects can be undertaken by City crews, allowing our workforce to remain intact during these difficult fiscal circumstances. It is also noteworthy that contracts and purchases associated with major capital initiatives can also provide an economic stimulus, thereby aiding the region's economic recovery.

The Renaissance does become tied to the General Fund as new facilities, such as parks and libraries, are complete and the City begins to provide maintenance and staff at new locations. City staff is fully mindful of the convergence of these factors and is preparing operational plans accordingly. The Riverside Renaissance program continues apace, fully consistent with the Council's review and direction last month.

Summary and Recommendations

The Council's direction has ensured that the current year's budget was carefully adjusted to match available revenues. Having taken timely action to refine the 2007-08 Budget, the City remains in excellent fiscal shape for the remainder of the fiscal year; unlike other cities, Riverside will not require large infusions of Reserve funding to meet current obligations. Further, our revised spending levels effectively set the stage for preserving key services and absorbing additional costs in next year's budget. The attached sheets provide key data regarding proposed revenue sources, as well as the proposed allocation of funding on a departmental basis.

Per the Council's direction, the City's FY 2008/09 Proposed Budget is balanced and includes an adequate General Fund reserve - - prudently positioning our City to address contingencies which may arise over the year ahead.

We look forward to the Mayor and Council's continued insight and direction as staff finalizes next year's budget, and to convey your vision for City programs and services to the residents of our City.


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It is, therefore, recommended that the City Council:

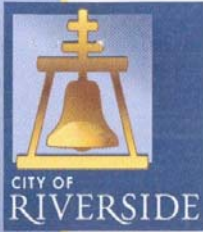
1. Provide direction to staff regarding any modifications to be made prior to adoption of the FY 2008-09 Final Budget; and
2. Schedule a Public Hearing on June 10, 2008 to receive citizen comments on the proposed budget plan; and
3. Direct that budget adoption be scheduled for the City Council's June 10, 2008 evening meeting.

Respectfully submitted,


BRADLEY J. HUDSON
City Manager

Attachments

CITY MANAGER'S BUDGET MESSAGE



Office of the City Manager - Administration

June 10, 2008

Honorable Mayor and City Council
City of Riverside
3900 Main St., Riverside, CA 92522

Fiscal Year 2008-2009 Budget Adoption

Honorable Mayor and Council Members:

I am pleased to submit, for your review and adoption, the City of Riverside's Fiscal Year 2008-09 Budget.

This Final Budget has been prepared consistent with the City Council's direction following presentation of the Proposed Budget on April 15th, and follows three unprecedented years of expanding services to all residents of our City. The draft budget sustains this progress, funds key services, maintains a prudent General Fund reserve, balances expenditures with revenues and maintains momentum on the Riverside Renaissance Initiative.

As part of the 2007-08 Mid-Year Budget Report, your Council approved a series of prudent measures to adjust departmental spending to reflect regional economic trends which have slowed the growth of City revenues. To maintain the City's strong fiscal footing, Departments have instituted strategic cost control measures, prioritized program delivery to meet the Council's primary policy directives, held vacant staff positions, appropriately adjusted temporary staffing levels, eliminated all but the most necessary expenditures, and maximized use of Redevelopment Agency funding and external resources. In addition to reflecting reduced revenue, next year's spending plan was adjusted to absorb approximately \$6 million in new costs required by Agreements with the City's labor organizations. The Council's direction to appropriately adjust the City's 2007-08 spending effectively set the stage for a 2008-09 Budget which preserves core services and spares local residents from many of the negative fiscal impacts seen in neighboring jurisdictions.

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As anticipated, several minor refinements have been prepared for your consideration in adopting the Final Budget. These changes are the result of ongoing review with City Departments throughout the budget preparation process and do not increase the overall General Fund budget:

- The Public Works Department requests reclassification of a Senior Wastewater Plant Operator position to a Wastewater Plant Supervisor position, at an approximate additional cost of \$16,000. The offsetting appropriation is contained within the Sewer Fund, with no impact to the City's General Fund.
- The Public Works Department requests reclassification of a Senior Engineer position in the Engineering Division to a Principal Engineer position to more accurately reflect the level of duties performed. The additional cost of less than \$11,000 will be absorbed without any increase to departmental appropriations.

The City's overall proposed budget for FY 2008/09 is \$994,569,166, with proposed General Fund expenditures totaling \$214,992,977. General Fund revenues are conservatively budgeted at the corresponding level, and the fiscal plan meets the terms of Memoranda of Understanding reached with all of the City's bargaining units. The slight change from overall budget totals reflected in the Proposed Budget does not reflect any programmatic or staffing changes; as anticipated, updated cost allocation projections further enhance the precision of recommended appropriation levels.

City staff sincerely appreciates the clarity with which the Council communicated its vision for providing services while managing City resources in a balanced and prudent manner. Your strong leadership in this process was integral to the success in crafting a Final Budget to fulfill the Council's policy direction for the year ahead.

IT IS, THEREFORE, RECOMMENDED that the City Council:

1. Adopt a resolution approving the City of Riverside's Revised Budget for FY 2008-09 totaling \$994,569,166 of which \$214,992,977 comprises the General Fund; and

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2. Authorize the staffing authorizations as set forth in Attachments D and E, subject to classification review by the Human Resources Department; and
3. Authorize the City Manager, or his designee, to execute contracts approved for funding in the approved budget.

Respectfully Submitted,


BRADLEY J. HUDSON
City Manager

Attachments

CITY MANAGER'S BUDGET MESSAGE

ATTACHMENT D

ADJUSTMENTS TO BE MADE TO THE PRELIMINARY FISCAL YEAR 2008/09 ANNUAL BUDGET

A number of minor administrative adjustments will be made to finalize the budget and the following changes are requested:

1. Staff is requesting reclassification of a Senior Wastewater Plant Operator position in the Sewer Fund to a Wastewater Plant Supervisor position for an approximate total additional cost of \$16,000.
2. Staff is requesting reclassification of a Senior Engineer position in the City Engineering Division of the Public Works Department to a Principal Engineer position. The cost increase will be absorbed in the existing Public Works Department budget as submitted.